

**THE REVIEW AND APPLICATION OF 'RIGID
FLEXIBILITY MODEL' IN THE HOTEL
INDUSTRY**

BY

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ABSTRACT

This research investigates the "Rigid Flexibility Model" in three aspects - flexibility, simplicity and discipline. As most previous studies were focused in manufacturing, our research in the hotel industry is the first in Malaysia reviewing the possible application of "Rigid Flexibility Model" to a service industry.

The objectives of the research are: 1) to look into the possible application of rigid flexibility model, 2) to determine the critical processes in the hotel operations, 3) to find out the common practices and methods to simplify the critical processes and 4) to sort out the procedures related to the discipline dimension of rigid flexibility model. The hotels that participated in our research are the Bayview Beach hotel, the Bayview Hotel, EverGreen Laurel Hotel and Grand Continental Hotel. Four case studies were presented in this research, one case for each hotel we interviewed.

The principle finding is that the influencing factors for the research variables were identified. With regards to flexibility, we suggest that in this industry the most important issues are: 1) flexibility in hotel services - in particular room occupancy and Food and Beverages 2) flexible and wise budgeting planning and pricing issues 3) managing delays at the service counter and customer waiting times 4) integration of IT in services - such as the integration of e-

booking of hotel room in hotel industry and 5) flexibility in organisational development. The findings in this research indicated that the principle of simplicity and discipline is common among the hotel industry. Overall, the practices and methods at hotels may contribute to simplifying its operation and discipline the operational structure.

Therefore, it is hopeful that our research findings may serve as the basis to the future research in further exploring the application and effects of this model in the hotel industry.

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Chapter 1

Introduction

Today, business and management has become more dynamic and is increasingly changing due to the rapid development of high technology. Owing to the development of trade liberalisation and competitiveness, there has been considerable interest in whether traditional operation and management styles are still effective today. In relation to the dynamic and sophisticated management environment, a multinational company would encounter different kinds of environmental competition, pressure and change. As a matter of fact, businesses are influenced by other environmental factors such as the political stability of a country, economics issues, social aspects and technological advancement. Generally, economic issues, such as the flexibility in demand and supply and the responsiveness to the market requirements, have much influence to the operation and management of a company both in the past and in the present.

Over the past few years, intense global competition has forced many organizations to re-examine and change their business practices, so much so that many organizations have had to re-evaluate their capacity to meet the challenges of economic globalization. In Malaysia, globalization is affecting

most companies in various ways and has forced them to take a serious look at what they are and what they may become in future. They have had to re-examine their core business processes and devise plans to respond to the ever-changing pace caused by the competitive market place. As such, it is rather important to study and prioritise the need to improve their product and process quality and not to forget other elements like low product pricing, prompt delivery and flexibility.

As a result, one cannot deny that the immediate effect of globalisation has caused a highly competitive and complex business environment today. Therefore, it is difficult and often requires a good business intelligence strategy to survive. Building a simple, flexible and controlled discipline for responding quickly to changing market needs has been regarded as a major challenge in operations management. (da Silveira, G.J.C, 2005; Bordoloi et. al., 1999; Barnes-Schuster et al., 2002). Subsequently, these issues had led us to our study for the "Rigid Flexibility Model".

1.1 Background of the Research

The Rigid flexibility model was proposed by Collins, R.S. et al. from International Institute for Management Development (IMD), Switzerland [Collins, R.S. et al.,1998] and its application was recently validated by da Silveira, G.J.C.[da Silveira, G.J.C, 2005]. The focus of this model is to investigate the relationship between flexible performance and adoption of “rigid flexibility”, that is, flexibility, simplicity and discipline in manufacturing. Since most studies are focused in manufacturing, our research aims to apply this model for the service industry. In contrast, our study considers the hotel service industry.

Like any other service industries, the hotel industry focuses on the customer service and customer satisfaction of its services. The aim of this study is to research the effectiveness and efficiency of hotels operations with regards to the concept of simplicity, flexibility and discipline.

1.2 Problem Statement

Various studies have been carried out in flexibility and simplicity in the area of operation management. However, the focus has been less with regards to the service sector. Most flexibility studies have been restricted to various manufacturing firms. Little has been reported on how the services sector

responds to environmental changes (Verdu-Jover, A.J. et al., 2004, Harvey et al., 1997).

Most studies were carried out with little focus in the relationship between strategic flexibility with regards to rapid technological changes. Firms require strategic flexibility to survive in environments with a rapid technological change (Verdu-Jover, A.J. et al., 2004; Hitt et al., 1998). According to Lorens-Monters F. and Garcia-Morales V.J. [Verdu-Jover, A.J. et al., 2004], studies have been carried out from various aspects including operational flexibility (Harvey et al., 1997; Perry, 1992), working environment flexibility (Hooks and Higgs, 2002), workforce flexibility (Beyers and Lindahl, 1999; Riley and Lockwood, 1997), structural flexibility (Arrowsmith and McGoldrick, 1996; Morris, 1998; Smith, 1994) and managerial flexibility (Verdu-Jover, A.J. et al., 2004). However, most of these studies have been less proven with good supporting case studies.

The problems faced in hotel operations are various. In relation to our study here, the hotel industry faced several issues that prevent them to be more competitive in its services. For example,

- flexibility in hotel services – in particular room occupancy and Food and Beverages
- flexible and wise budgeting planning and pricing issues
- managing delays at the service counter and customer waiting times

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- integration of IT in services – such as the integration of e-booking of hotel room in hotel industry
 - flexibility in organisational development

Solutions to these issues are inevitably important to the hotel operators.

1.3 Research Objectives

The objectives of the study are:

1. To study the possible application of rigid flexibility model with regards to simplicity and discipline for Hotels in Penang, Malaysia.

The study may help us to understand the current operations in the present National / International Hotels in Penang and thus be able to diagnose and review the operation areas which may require further improvement with the possible application of the 'Rigid Flexibility Model'. Our study mainly focused on the National/International Luxury Hotels and National/International Budget Hotel in Penang, Malaysia. The island of Penang was chosen for the study due to its strategic location as a popular tourist's destination in Malaysia. Therefore, this study may provide some relevant information in helping the hoteliers in Penang in boosting the number of tourists in the coming "Visit Malaysia Year 2007".

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- 2 To determine what are critical processes in the operations of hotels (four specific issues, flexibility in hotel services such as managing delays at the front desk and customer waiting times, costs and pricing, organisational development and integration of IT in hotel industry)

Commonly, operation management in any industry is the main concern to the management in simplifying and upgrading the operating processes. Practitioners would look at how simplifying certain processes are able to provide a better service to consumers. This is particularly true for service industry, for example hotels, where the core business lies with the quality of service rendered. Hence, issues like managing the delays at the front desk service counter; deployment of latest technology processes and 'Food & Beverages', were the major concerns. Thus, they were critical to our study in hotel industry.

- 3 To find out what are practices/methods such as TQM/JIT to simplify (simplicity dimension) critical processes

In relation to simplifying the critical processes in hotel operations, it is necessary for us to look at some suitable practices or methods in our research. With further investigations being carried out, we focus our study particularly in Total Quality Management (TQM) and Just-in-time (JIT). Although the two practices are only commonly used in the manufacturing

industry, they might provide some rigidity control over operation management in the hotel industry.

4 To find out what procedures/rules related to the discipline dimension of rigid flexibility model

Again, this closely relates to the practices or methods used in the above in simplicity dimension. TQM would be useful to help in the improvement of organisational effectiveness as organisational effectiveness determines the quality of service provided and the level of business performance.

1.4 Significance of the Study

The significance of the study to the hotel industry was inevitably without measure and it has been proven with our preliminary findings. The findings revealed that the application of this model was something new to the hotel industry. Moreover, we realised that hotel business is challenging in this competitive market place due to the effect of globalization. Globalization is forcing hoteliers to search for better approaches and strategic management. A drop in sales is therefore of great concern to the hoteliers. Recognising and establishing the "rigid flexibility" model in the hotel industry, would eventually help to formulate degrees of flexibility and simplicity to the existing issues faced by hoteliers in Malaysia such as rapid technological changes and managing delays at the front service counter, food and beverages and organisation

development. Such flexibility would enable hoteliers to be more competitive locally or internationally and thus enable them to enjoy a better business performance.

1.5 Limitations of the Study

Generally, we focused and confined our study to the hotel industry and were unable to include other industries. Besides the survey samples conducted, content analysis was carried out on a smaller sample size. This was due to the limitation of time and resources in carrying out this research. Also, the study conducted focused only on the content analysis method rather than an advanced method such as neural network, naïve extrapolation and multiple regressions by Law R. (1998).

The research findings demonstrated that most local hoteliers were generally resistant and apprehensive with participating in this research, particularly reacting negatively towards a face-to-face interview. Others were more sensitive with regards to the issue of privacy and confidentiality of company information and thus resulted in difficulties in confirming interviews. Overall, the time taken for the hoteliers in responding to the research interview appointments were generally lengthy and no responses from some hoteliers too. As such, we were only able to fulfil some of the suggested interviews for local budget hotels as outlined in our earlier proposed study.

Realizing the limitation of our resources, we require further financial aid, budget and allocation of time in order to widen the scope of study with the involvement of other industries.